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LOGNOTE -- Chief, Operations Group, 11 September 1984

1. (Baker) [] called to say that he and a couple of OL branch chiefs from both the real estate and the construction side of things have been reviewing the proposed Tel Aviv lease and construction agreements and that they will be discussing several aspects of them tomorrow with OGC. He repeated what he had said last week: that the cost-plus-percentage-of-costs agreement on construction was illegal and unacceptable by USG practices; and that Lou could not legally cosign the lease. He also pointed out that State regs require that any lease over \$25K must be referred to C/FBO for signing and that here also the GSO had exceeded his authority.

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I said we would wince at the idea of getting OGC involved; also, again, that we did not want to get into hot water with a GSO with whom we and the bureau chief would have to work in the future. Glenn said he thought the whole thing could be handled in a way that would avoid that, not getting State involved. OL has had a man [] on the OGC staff for seven years who will handle the case with understanding for any sensitivities involved. The situation is more retrievable in that no money has changed hands yet on the lease. He had been against releasing any funds up front for construction but thought that too was still rectifiable.

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After he and his OL colleagues have met with [] he will want a meeting with us, preferably with an ED rep attending. He hopes by then to have a solution to offer Tel Aviv by cable.

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(cc: D/FBIS, C/E&PS, C/AS, C/ED, C/Tel Aviv Bureau)

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